Q1 2012

City of Seal Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Seal Beach In Brief

Receipts for Seal Beach's January through March sales were 8.2% higher than the same quarter one year ago. Actual sales activity was up 11.5% when reporting aberrations were factored out.

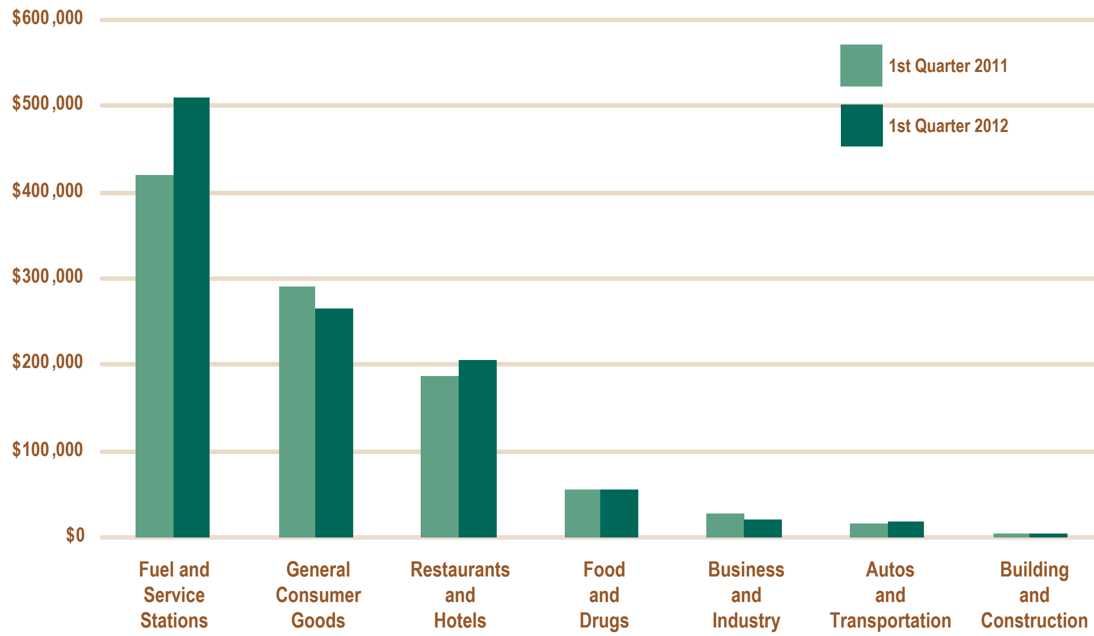
A strong sales quarter for the fuel & service stations sector was primarily responsible for the current increase.

Recent additions helped boost revenues from restaurants with beer/wine and restaurants with no alcohol. The double-up of a previously late payment inflated results from restaurants with liquor.

The gains were partially offset by the correction of a reporting error that temporarily inflated year-ago returns from the general consumer goods group.

Adjusted for aberrations, taxable sales for all of Orange County increased 7.3% over the comparable time period, while the Southern California region as a whole was up 8.1%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

76
AT&T Mobility
Bed Bath & Beyond
California Pizza Kitchen
Chevron
CVS Pharmacy
Energy Tubulars
G & M Oil
Home Goods
Islands
Kohls
Mahe
Marshalls
Mobil
Mobil
Old Ranch Country Club
OMalleys on Main
Original Parts Group
Roger Dunn Golf Shops
Spaghettini
Sprouts
Target
Union 76
Vons
Walts Wharf

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	$4,006,108	$4,537,931
County Pool	418,266	468,895
State Pool	1,734	1,651
Gross Receipts	**$4,426,108**	**$5,008,478**
Less Triple Flip*	$(1,106,527)	$(1,252,119)

**Reimbursed from county compensation fund*

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NOTES

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's $16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

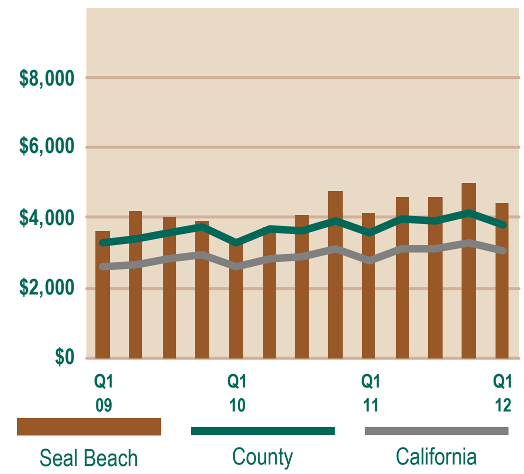
The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

Additionally, California manufacturers that rely on foreign parts could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, $400 billion in automatic spending cuts will be activated.

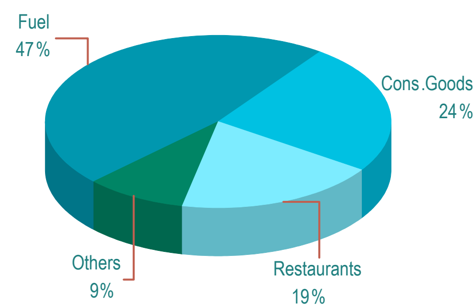
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

Sales Per Capita



Revenue by Business Group

Seal Beach This Quarter



Seal Beach Top 15 Business Types

Business Type	Seal Beach Q1 '12*	Seal Beach Change	County Change	HdL State Change
Automotive Supply Stores	11.7	8.3%	17.0%	9.3%
Department Stores	— CONFIDENTIAL —		3.2%	1.5%
Discount Dept Stores	— CONFIDENTIAL —		6.9%	5.6%
Drug Stores	21.6	-4.2%	1.9%	2.7%
Family Apparel	25.5	16.9%	12.7%	11.9%
Grocery Stores Liquor	— CONFIDENTIAL —		23.1%	5.5%
Home Furnishings	45.6	4.3%	1.2%	7.1%
Petroleum Prod/Equipment	— CONFIDENTIAL —		16.3%	19.1%
Restaurants Beer And Wine	55.4	17.3%	2.9%	4.1%
Restaurants Liquor	89.7	4.5%	12.8%	13.0%
Restaurants No Alcohol	51.6	14.8%	8.2%	9.5%
Service Stations	120.6	1.5%	12.0%	13.3%
Specialty Stores	12.5	35.4%	7.6%	6.5%
Sporting Goods/Bike Stores	17.0	16.4%	8.1%	6.3%
Women's Apparel	25.4	6.8%	4.3%	4.2%
Total All Accounts	**$1,080.9**	**7.8%**	**6.7%**	**9.9%**
County & State Pool Allocation	**111.9**	**13.2%**		
Gross Receipts	**$1,192.8**	**8.2%**		**In thousands*